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James K. Smith
Director
Federal Relations

May 19, 1994

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MAY 20 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

RE: Ex Parte Statement
Docket No. ~~93-14~~ 90-314

Dear Mr. Caton:

On May 19, 1994, Mr. Kenneth Hallman, Supervisor - Wireless Radio Technology of Ameritech and I met with Ms. Karen Brinkman, Special Assistant to Chairman Hundt, Mr. Rudy Baca, Legal Advisor to Commissioner Quello, and Mr. Byron Marchant, Senior Advisor to Commissioner Barrett to discuss Ameritech's position in the above referenced proceeding. The attached information was used as the basis for our discussion.

Sincerely,

A handwritten signature in cursive script, likely belonging to James K. Smith, the Director of Federal Relations.

Attachment

cc: K. Brinkman
R. Baca
B. Marchant

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Overview

Ameritech supports the thrust of the PCS order, however we believe two minor changes in the rules will significantly lower the cost to the customer and improve the user friendliness of PCS.

- Opportunity for cellular to bid on 10 MHz at 1.9 GHz
- Changes in the cellular ownership threshold from 20% to 30%

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FEDERAL COMMUNICATIONS COMMISSION
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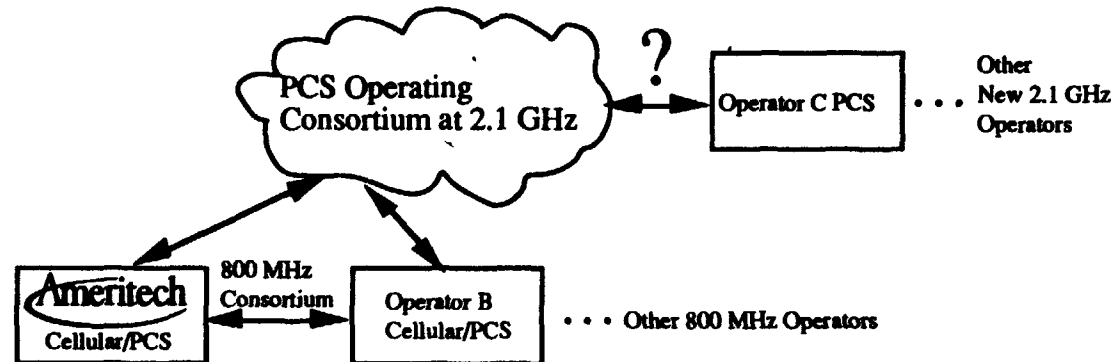
Cellular Eligibility At 1.9 GHz

- PCS industry development depends upon significant involvement among today's wireless players
- Cellular eligibility for 10 MHz at 1.9 GHz is beneficial to all
 - Limits aggregated spectrum to 35 MHz
 - Facilitates nationwide interoperability
 - Increases likelihood of nationwide ubiquity
 - Lessens need for multi-mode/multi-frequency handsets
 - Low tier services will still be selectively deployed

2.1 GHz Service Scenario

- 2.1 GHz to augment & expand (?)

- 800 MHz as wireless foundation



PROS

- Builds on 800 MHz cellular
- Licenses likely to be less costly
- Eligibility in region
- Additional spectrum for new wide area services

CONS

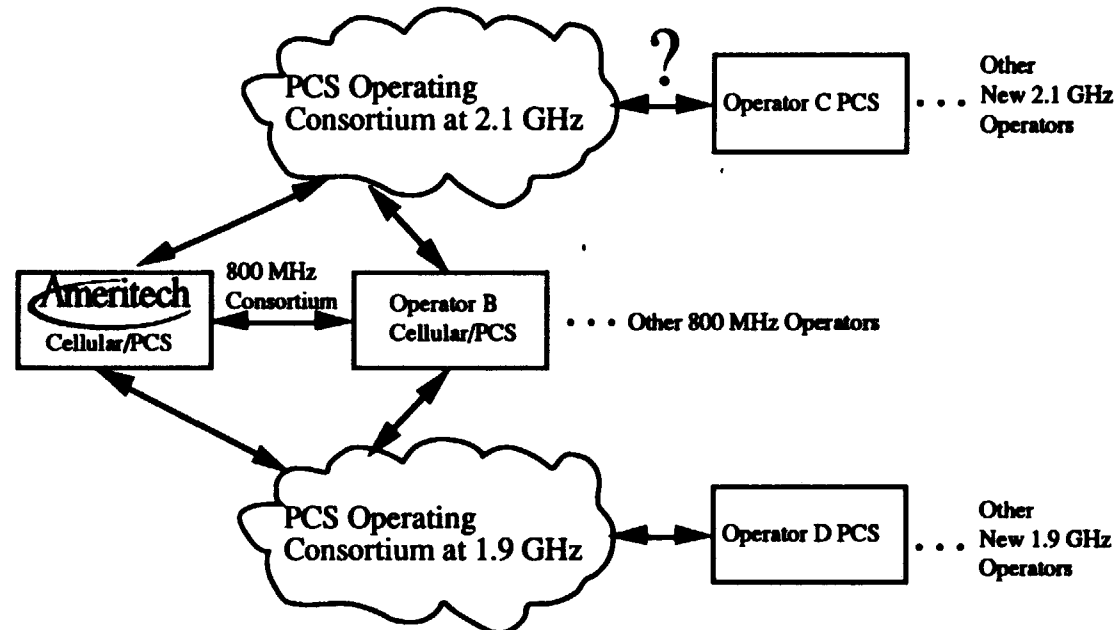
- Operator agreement on developing 2.1 questionable
- 2.1 spectrum less attractive for high tier services
- Coverage and interoperability problems at 2.1 GHz
 - Dual mode/dual frequency handsets a big disadvantage
 - Interoperability obtained at unnecessarily large cost
- Poor equipment economics & schedule
 - Greater 800 MHz digital investment as a response
 - Large 800 investment and a smaller 2.1 investment

Hybrid Scenario (800/1.9/2.1)

- 2.1 GHz to augment & expand(?)

- 800 MHz as wireless foundation

- 1.9 GHz to fill out rest of nation



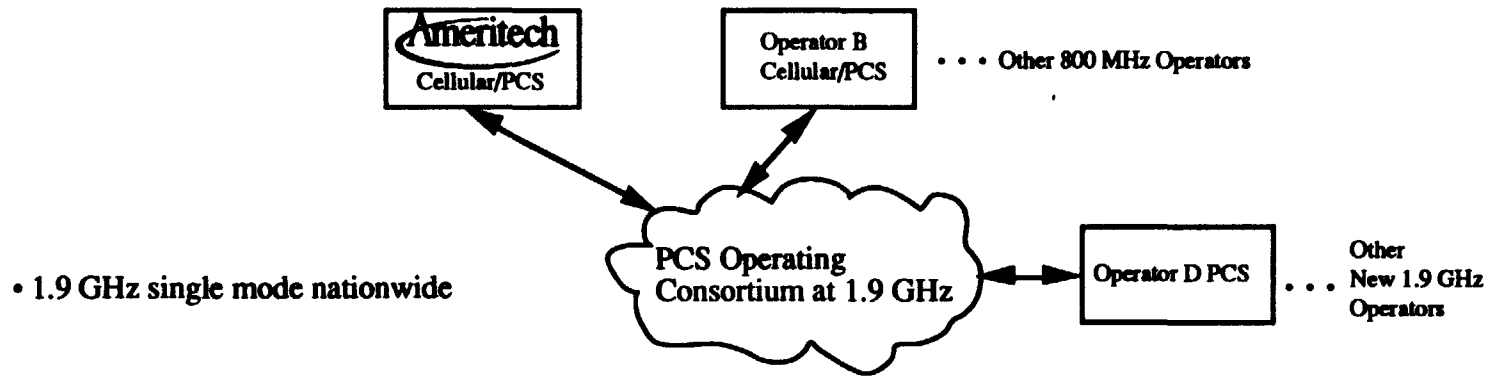
PROS

- Builds on 800 MHz cellular with 2.1 GHz spectrum
- 1.9 timing advantage over 2.1 in new markets
- Eligibility in region

CONS

- Operator agreement more complex under this scenario
- Tri-frequency handset required for nationwide service
- 2.1 spectrum less attractive for high tier services
- Coverage and interoperability problems at 2.1 GHz
 - Dual mode/tri-frequency handsets a big disadvantage
 - Interoperability obtained at unnecessarily large cost
- Poor equipment economics & schedule
 - Greater 800 MHz digital investment as a response
 - Large 800 investment and a smaller 2.1 investment

Cellular Eligible At 1.9 GHz



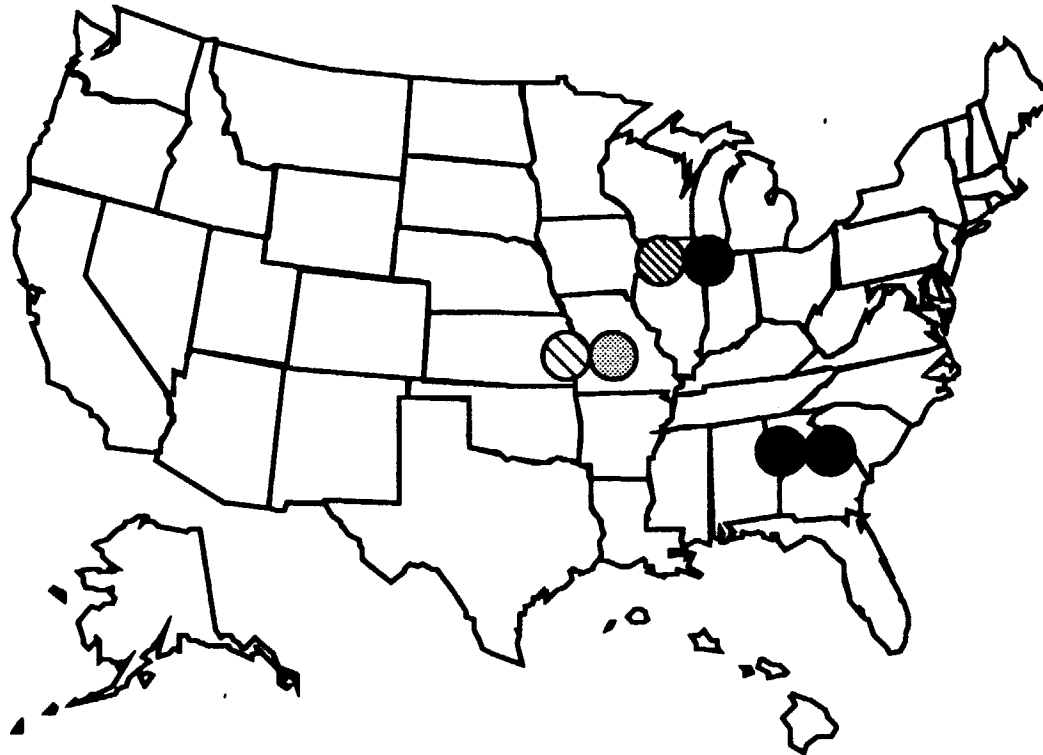
PROS

- Facilitates nationwide interoperability
- Single mode/single frequency handsets
- Increases opportunities for new operators (including designated entities) to maximize PCS investment
- Consistent with 800 MHz cellular investment
- 1.9 GHz can be used for digital expansion
- PCS competes on price/service not interoperability and coverage
 - Consumers benefit from competitive services
 - Differentiated nationwide service(s)




CONS

- Additional competitive pressure on current business
- Licenses more costly under this scenario




Single Mode Competitive Consortium - An Example



"Solid" consortium (3 city example)

-  = Operator A, 800 MHz & 1.9 GHz
-  = Operator A, 1.9 GHz (New City)
-  = New Operator B, 1.9 GHz (New City)

"Stripe" consortium (3 city example)

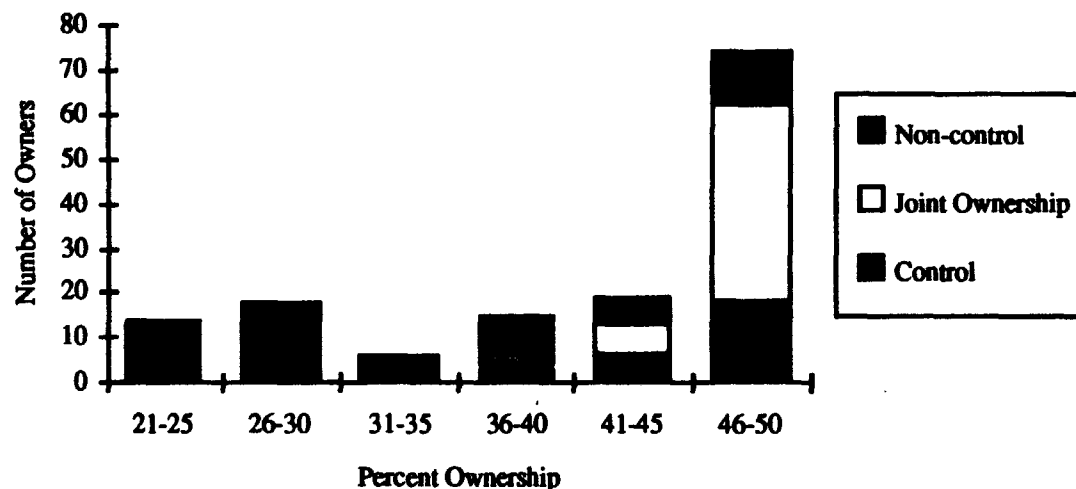
-  = Operator X, 800 MHz & 1.9 GHz
-  = Operator X, 1.9 GHz (New City)
-  = Operator Y, 1.9 GHz (New City)

Cellular Eligibility Threshold

- Support 10% population limit
- 20% ownership interest is too low

Data over all MSAs* shows ownership limit should be raised to 30%

Cellular Ownership Percentages: All MSAs



Of 305 MSAs and 610 Partnerships

- 20% unnecessarily excludes 64 non-controlling interests over all MSA partnerships
- 99.8% of controlling interests are above 30% ownership
- 30% still excludes 33 non-controlling partners but enables the Commission to establish a simple rule

- Don't penalize those who were encouraged by the Commission to take passive partnership interests in the initial phase of cellular

Consumers -- The Ultimate Winners

- Even with a national standard for AMPS, many consumers are confused by cellular roaming arrangements
- Excluding cellular participation at 1.9 GHz would increase consumer confusion, lower service quality and reduce customer acceptance
- PCS rules should enable more "personal" (i.e. customer friendly) services
- PCS can reach its potential with minor alterations to the rules:
 - No arbitrary restrictions from participation in the 1.9 GHz band
 - Allow greater participation by raising the (non-controlling) ownership limit to 30%
- Cellular eligibility at 1.9 GHz fosters greater competition